

REDWOOD TRUST INC
Form DEF 14A
April 11, 2003

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

[] Preliminary Proxy Statement

[] Confidential, for Use of the
Commission Only (as permitted by
Rule 14a-6(e)(2))

[X] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

Redwood Trust, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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[] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

RWT
REDWOOD TRUST, INC.
591 Redwood Highway, Suite 3100
Mill Valley, California 94941
(415) 389-7373

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders

of Redwood Trust, Inc.

You are cordially invited to attend the Annual Meeting of Stockholders of Redwood Trust, Inc., a Maryland corporation (the Company), to be held on Thursday, May 8, 2003, at 11:00 a.m., PDT, at the Acqua Hotel, 555 Redwood Highway, Mill Valley, California, for the following purposes:

1. To elect one Class II director and two Class III directors to serve until the Company's Annual Meeting of Stockholders to be held in 2005 and 2006 respectively, and until such directors' successors are elected and qualified;
2. To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent public accountants for the fiscal year ending December 31, 2003; and
3. To transact such other business as may properly come before the Annual Meeting or at any adjournments thereof.

A proxy statement describing the matters to be considered at the Annual Meeting is attached to this notice. The Board of Directors has fixed the close of business on March 31, 2003, as the record date for determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and at any adjournments thereof.

Management desires to have a maximum representation of stockholders at the Annual Meeting. The Company may incur substantial additional proxy solicitation costs if a sufficient number of proxies are not returned in advance of the Annual Meeting. In order that your shares may be represented at the Annual Meeting, management respectfully requests that you date, execute, and promptly mail the enclosed proxy in the accompanying postage-paid envelope or vote by telephone or via the Internet as instructed on the proxy. A proxy may be revoked by a stockholder by notice in writing to the Secretary of the Company at any time prior to its use, by presentation of a later-dated proxy, or by attending the Annual Meeting and voting in person.

By Order of the Board of Directors

HAROLD F. ZAGUNIS
Secretary

Mill Valley, California
April 10, 2003

YOUR VOTE IS IMPORTANT.

**PLEASE PROMPTLY MARK, DATE, SIGN AND RETURN
YOUR PROXY IN THE ENCLOSED ENVELOPE OR VOTE BY
TELEPHONE OR VIA THE INTERNET AS INSTRUCTED ON
THE PROXY.**

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RWT

REDWOOD TRUST, INC.

591 Redwood Highway, Suite 3100
Mill Valley, California 94941
(415) 389-7373

PROXY STATEMENT ANNUAL MEETING OF STOCKHOLDERS To Be Held May 8, 2003

To Our Stockholders:

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Redwood Trust, Inc., a Maryland corporation (Company), for use at the Annual Meeting of Stockholders of the Company (Annual Meeting) to be held on Thursday, May 8, 2003 at 11:00 a.m., Pacific Daylight Time, at the Acqua Hotel, 555 Redwood Highway, Mill Valley, California, and any adjournments thereof. This Proxy Statement, the accompanying proxy card, and the Notice of Annual Meeting are being provided to stockholders beginning on or about April 10, 2003.

GENERAL INFORMATION

Solicitation of Proxies

The enclosed proxy is solicited by the Board of Directors of the Company. The costs of this solicitation will be borne by the Company. Proxy solicitations will be made by mail, and also may be made by personal interview, telephone, facsimile transmission, and telegram on behalf of the Company by directors and officers of the Company. Banks, brokerage houses, nominees, and other fiduciaries will be requested to forward the proxy soliciting material to the beneficial owners and to obtain authorization for the execution of proxies. The Company will, upon request, reimburse such parties for their reasonable expenses in forwarding proxy materials to their beneficial owners. The Company does not expect to engage an outside firm to solicit votes, but if such a firm is engaged subsequent to the date of this Proxy Statement, the cost is estimated to be less than \$10,000, plus reasonable out-of-pocket expenses.

Voting Rights

Holders of shares of the Company's common stock (Common Stock) at the close of business on March 31, 2003, the record date, are entitled to notice of, and to vote at, the Annual Meeting. On that date, 16,604,910 shares of Common Stock were outstanding. Each share of Common Stock outstanding on the record date is entitled to one vote on each matter presented at the Annual Meeting. The presence, in person or by proxy, of stockholders representing a majority of the issued and outstanding stock entitled to vote constitutes a quorum for the transaction of business at the Annual Meeting. If a quorum is present, (i) a plurality of the votes cast at the Meeting is required for election as a director, and (ii) for each other matter, the affirmative vote of a majority of the votes cast with respect to such matter is required. Cumulative voting in the election of directors is not permitted. Abstentions are considered shares not voted, and therefore will have no legal effect on the outcome of matters presented at the Annual Meeting. Any shares held in street name for which the broker or nominee receives no instructions from the beneficial owner, and as to which such broker or nominee does not have discretionary voting authority under applicable New York Stock Exchange rules, will be considered as shares not entitled to vote and will therefore not be considered in the tabulation of the votes.

Voting of Proxies

Shares of the Common Stock represented by all properly executed (or otherwise designated) proxies received in time for the Annual Meeting will be voted in accordance with the choices specified in the proxies. Unless contrary instructions are indicated on the proxy, the shares will be voted **FOR** the election of the nominees named in this Proxy Statement as directors, and **FOR** the ratification of PricewaterhouseCoopers LLP as the Company's auditors.

Management and the Board of Directors of the Company know of no matters to be brought before the Annual Meeting other than as set forth herein. To date, no stockholders' proposals have been received by the Company. However, if any other matters of which management and Board of Directors of the Company are not now aware are presented properly to the stockholders for action, it is the intention of the proxy holders named in the enclosed proxy to vote in their discretion on all matters on which the shares represented by such proxy are entitled to vote.

Revocability of Proxy

The giving of the enclosed proxy does not preclude the right to vote in person should the stockholder giving the proxy so desire. A proxy may be revoked at any time prior to its exercise by delivering a written statement to the Secretary of the Company that the proxy is revoked, by presenting to the Company a later-dated proxy, or by attending the Annual Meeting and voting in person.

Annual Report

The 2002 Annual Report including financial statements for the year ended December 31, 2002, which is being mailed to stockholders together with the Proxy Statement, contains financial and other information about the activities of the Company, but is not incorporated into this Proxy Statement and is not to be considered a part of these proxy soliciting materials.

The 2002 Annual Report includes the annual report on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission (SEC). Any exhibits listed in the Form 10-K will be furnished upon request at the actual expense incurred by the Company in furnishing such exhibit. Any such requests should be directed to the Company's Secretary at the Company's executive office set forth in this Proxy Statement.

ITEM 1 ELECTION OF DIRECTORS

The Company's Articles of Incorporation and Bylaws provide for a classified Board of Directors comprised of Classes I, II and III. Class III directors are scheduled to be elected at the 2003 Annual Meeting to serve for a three-year term and until their successors are elected and duly qualified. In addition, one Class II director who was elected to fill a vacancy is nominated to serve for a two-year term. The Company's Bylaws further provide that, except in the case of a vacancy, a majority of the members of the Board of Directors and of any committee of the Board of Directors will be at all times directors who are not employed by the Company (Independent Directors). The nominees for two Class III directors and one Class II director of the Board of Directors are set forth below. Unless authorization is withheld, the persons named as proxies will vote **FOR** the nominees for directors listed below unless otherwise specified by the stockholder. In the event any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them for the nominees listed below and against any other nominees. As of the date of this Proxy Statement, the Board of Directors is not aware of any nominee who is unable or will decline to serve as director. The nominees listed below already are serving as directors of the Company.

The election to the Board of Directors of each of the nominees identified in this Proxy Statement will require a plurality of the votes cast, in person or by proxy, at the Annual Meeting.

The Board of Directors unanimously recommends that stockholders vote FOR the nominees identified below.

Class II Nominee to Board of Directors

| Name | Position With The Company |
|-----------------|---------------------------|
| Greg H. Kubicek | Director |

Greg H. Kubicek, age 46, became a director of Redwood Trust in 2002. Mr. Kubicek is President of The Holt Company, Inc., a real estate company that develops, owns, and manages commercial real estate properties and is a residential homebuilder. He has also served as Chairman of the Board of Cascade Corporation, an international manufacturing corporation. Mr. Kubicek holds a B.A. in Economics from Harvard College. Mr. Kubicek is a Class II director whose term would expire in 2005.

Class III Nominees to Board of Directors

| Name | Position With The Company |
|-----------------|--------------------------------------|
| Thomas C. Brown | Director |
| George E. Bull | Chairman and Chief Executive Officer |

Certain biographical information regarding each nominee is set forth below along with biographical information for other directors.

Thomas C. Brown, age 54, has been a director of the Company since 1998. Mr. Brown is currently an independent consultant. In 2001, Mr. Brown was CEO of Rates Financial Network Inc. Prior to that, Mr. Brown was Executive Vice President, Marketing and Field Operations, at PMI Mortgage Insurance Company in San Francisco. Mr. Brown has more than 20 years of senior management experience in real estate, mortgage finance, and investment banking. Prior to joining PMI in 1997, Mr. Brown was President, CEO, and Director of Centerbank Mortgage Company based in Waterbury, CT. Before joining Centerbank in 1989, Mr. Brown held senior management positions at Goldome Realty Credit Corporation and Merrill Lynch and Company, where he was President of Merrill Lynch Huntoon Paige Inc. and Managing Director of the Real Estate Finance Group. Mr. Brown holds a B.S. degree from Boston University and an M.B.A. from the University of Buffalo. Mr. Brown is a Class III director whose term expires in 2003.

George E. Bull, age 54, is a founder of the Company and has served as Chairman of the Board and Chief Executive Officer of the Company since 1994. From 1983 through 1997, Mr. Bull was the President of George E. Bull III Capital Management, Inc. (GB Capital). GB Capital ceased operating as a business in 1997. GB Capital assisted banks, insurance companies, and savings and loans in managing portfolios of securitized and unsecuritized mortgage loans, in arranging collateralized borrowings, in hedging balance sheet risks, and with other types of capital markets transactions. Mr. Bull holds a B.A. degree in Economics from University of California at Davis. Mr. Bull is a Class III director whose term expires in 2003.

Current Directors Terms Expiring After 2003

Richard D. Baum, age 56, has been a director of the Company since 2001. Mr. Baum is the President of Care West Insurance Company, a workers compensation company headquartered in Rocklin, California. Previously, Mr. Baum was the Chief Deputy Insurance Commissioner for the State of California. Prior to that, Mr. Baum was a Senior Vice President of Amfac, Inc., a diversified operating company engaged in various businesses including real estate development and property management. Mr. Baum holds a B.A. degree from Stanford University, an M.A. degree from the State University of New York, and a J.D. from George Washington University, National Law Center, Washington, D.C. Mr. Baum is a Class I director whose term expires in 2004.

Mariann Byerwalter, age 42, has been a director of the Company since 1998. Ms. Byerwalter is currently Chairman of JDN Corporate Advisory LLC (a privately held advisory services firm). Ms. Byerwalter was the Chief Financial Officer and Vice President for Business Affairs of Stanford University from 1996 to 2001. She

serves as a director of The PMI Group, Inc., SRI International, the America First Companies in Omaha, the Lucile Packard Children's Hospital, and the Stanford Hospital and Clinics. She also currently serves on the Board of Trustees of Stanford University and as a Trustee of SchwabFunds. From 1987 to 1996, Ms. Byerwalter was a partner and co-founder of America First Financial Corporation. Ms. Byerwalter was also the Chief Operating Officer, Chief Financial Officer, and Director of America First Eureka Holdings, a publicly traded institution and the holding company for EurekaBank. She was the Chief Financial Officer of EurekaBank from 1993 to 1996 and was a member of its Board of Directors from 1988 until the company was sold in 1998. From 1984 to 1987, Ms. Byerwalter was a Vice President for Strategic Planning and Corporate Development at BankAmerica Corporation. From 1984 to 1987, she was a Vice President of the BankAmerica Venture Capital Corporation. Ms. Byerwalter holds a B.A. degree from Stanford University and an M.B.A. from Harvard Business School. Ms. Byerwalter is a Class I director whose term expires in 2004.

Douglas B. Hansen, age 45, is a founder of the Company and has served as President and director since 1994. From 1990 through 1997, Mr. Hansen was a Principal with GB Capital. GB Capital discontinued operating as a business in 1997. GB Capital assisted banks, insurance companies, and savings and loans in managing portfolios of securitized and unsecuritized mortgage loans, in arranging collateralized borrowings, in hedging balance sheet risks, and with other types of capital markets transactions. Mr. Hansen holds a B.A. degree in Economics from Harvard College and an M.B.A. from Harvard Business School. Mr. Hansen is a Class II director whose term expires in 2005.

Charles J. Toeniskoetter, age 58, has been a director of the Company since 1994. Mr. Toeniskoetter is the Chairman and Chief Executive Officer of Toeniskoetter & Breeding, Inc. Development, a company which has developed, owns, and manages over \$250 million of commercial and industrial real estate properties. He is also the Chairman and Chief Executive Officer of Toeniskoetter & Breeding, Inc. Construction, a commercial and industrial construction company that has completed over \$700 million of construction contracts since its founding. Mr. Toeniskoetter serves on the Board of the SJW Corp and also serves on the Board of the Heritage Commerce Corp as well as a number of non-profit foundations and other community organizations. Mr. Toeniskoetter holds a B.S. degree in Mechanical Engineering from Notre Dame and an M.B.A. from Stanford University Graduate School of Business. Mr. Toeniskoetter is a Class II director whose term expires in 2005.

David L. Tyler, age 65, has been a director of the Company since 2001. Mr. Tyler has recently retired as the Executive Vice President, Director, and Chief Financial Officer of Interland Corporation, a private owner and developer of commercial centers and apartment communities. Interland owns and operates in excess of 5,000 multifamily units and over 2 million square feet of office space. Prior to his employment at Interland beginning in 1972, Mr. Tyler served as Controller at Kaiser Resources (1968-1971) and with the accounting firm Touche Ross (1963-1968). Mr. Tyler holds a B.A. degree from the University of California, Riverside and an M.B.A. from the Graduate School of Business, University of California, Berkeley. Mr. Tyler is a Class I director whose term expires in 2004.

Information Concerning the Board of Directors

The Board has eight directors and the following three committees: (1) Audit, (2) Compensation, and (3) Governance and Nominating. The membership during the 2002 fiscal year and the function of each committee are described below. The Audit Committee met nine times in 2002 in order to carry out its responsibilities as discussed below in the Audit Committee Report. The Compensation Committee met four times in 2002 in order to carry out its responsibilities as discussed below in the Compensation Committee Report. The Governance Committee met five times in 2002. The Company has no other standing committees of the Board of Directors.

The Board of Directors held five regular meetings in 2002. No director attended fewer than 75% of the meetings of the Board of Directors and the committees on which he or she served.

| Name of Director | Committee | | |
|-------------------------------|-----------|--------------|---------------------------|
| | Audit | Compensation | Governance and Nominating |
| <i>Independent Directors:</i> | | | |
| Richard D. Baum | | x | x* |
| Thomas C. Brown | x | x | |
| Mariann Byerwalter | | x* | |
| Greg H. Kubicek | x | | x |
| Charles J. Toeniskoetter | x | | x |
| David L. Tyler | x* | x | |
| <i>Employee Directors:</i> | | | |
| George E. Bull | | | |
| Douglas B. Hansen | | | |

* Indicates Chairperson of Committee

Director Compensation

The following table provides information on Redwood Trust's Independent Director compensation. Directors who are employed by Redwood Trust do not receive any compensation for their Board activities.

2002 Director Compensation Table

| | |
|---|-----------|
| Annual Retainer | \$ 20,000 |
| Board Meeting Fee (In person attendance) | \$ 1,000 |
| Board Meeting Fee (Telephonic attendance) | \$ 500 |
| Committee Meeting Fee (In person attendance) | \$ 750 |
| Committee Meeting Fee (Telephonic attendance) | \$ 500 |

Independent Directors are also granted options to purchase shares of the Company's Common Stock, which include dividend equivalent rights (DERs), at the fair market value on the date of grant each year which is the day after the Annual Meeting of Stockholders. Independent Directors are reimbursed for expenses related to their attendance at Board of Directors and committee meetings. Beginning in 2003, the Chairperson of the Audit Committee receives \$1,500 per committee meeting attended in person and \$1,000 if attended telephonically. The Chairpersons of the Compensation Committee and the Governance and Nominating Committee each receive \$1,125 per committee attended in person and \$750 if attended telephonically.

Compensation Committee Interlocks and Insider Participation

The Company's Compensation Committee is comprised of Ms. Byerwalter, Mr. Baum, Mr. Brown, and Mr. Tyler. The Compensation Committee establishes the compensation of the executive officers of the Company named in the Summary Compensation Table (Named Executive Officers) and also administers the Company's executive compensation plans. None of the Compensation Committee members nor the Named Executive Officers has any relationships with the Company, its affiliates, or any other entities that must be disclosed under this caption.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and holders of more than 10% of the Company's Common Stock, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the

Company. Such officers, directors, and 10% stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of such forms that it received, and written representations from reporting persons that no additional Form 5s were required for such persons, the Company believes that, during fiscal year 2002, all Section 16(a) filing requirements were satisfied on a timely basis.

MANAGEMENT OF THE COMPANY

The Named Executive Officers of the Company and their positions are as follows:

| Name | Position With The Company | Age |
|-------------------|---|-----|
| George E. Bull | Chairman of the Board and Chief Executive Officer | 54 |
| Douglas B. Hansen | President and Director | 45 |
| Brett D. Nicholas | Vice President | 34 |
| Andrew I. Sirkis | Vice President | 41 |
| Harold F. Zagunis | Vice President, Chief Financial Officer, Treasurer, Secretary, and Controller | 45 |

The executive officers serve at the discretion of the Company’s Board of Directors. Biographical information regarding Mr. Bull and Mr. Hansen is provided in the preceding pages. Biographical information regarding Mr. Nicholas, Mr. Sirkis, and Mr. Zagunis is set forth below.

Brett D. Nicholas, age 34, has served as Vice President of the Company since 1996. Prior to joining the Company, he was Vice President of Secondary Marketing at California Federal Bank, FSB from 1994 to 1995. Prior to his service at California Federal Bank, he was Vice President of Secondary Marketing at Union Security Mortgage, a wholly owned subsidiary of Union Federal Savings Bank of Evansville, Indiana. Mr. Nicholas holds a B.A. degree in Economics from the University of Colorado at Boulder.

Andrew I. Sirkis, age 41, has served as Vice President of the Company since 1997. Prior to joining the Company, he was Senior Vice President of Capital Markets at Saxon Mortgage Corporation, and worked for Saxon’s parent corporation, Resource Mortgage Capital. Prior to his service at Saxon Mortgage, Mr. Sirkis served as Vice President of Secondary Marketing at GMAC Mortgage Corporation. Mr. Sirkis holds a B.B.A. degree in Accounting from Temple University and an M.B.A. degree in Finance from Tulane University.

Harold F. Zagunis, age 45, has served as a Chief Financial Officer, Vice President, Secretary, Treasurer, and Controller since 1999, and has served as Vice President since 1995. Prior to joining the Company, from 1986 to 1995, Mr. Zagunis was Vice President of Finance for Landmark Land Company, Inc., a publicly traded company owning savings and loan and real estate development interests. Mr. Zagunis holds B.A. degrees in Mathematics and Economics from Willamette University and an M.B.A. degree from Stanford University Graduate School of Business.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of Common Stock of the Company as of March 1, 2003, by each person who is known to the Company to own beneficially more than 5% of the Company's Common Stock, by each director, by each of the Named Executive Officers, and by all directors and Named Executive Officers as a group:

| Name | Number of Shares Beneficially Owned | Approximate % Owned |
|--|--|------------------------|
| Wallace R. Weitz & Company (1) | 3,218,516 | 19.4% |
| Anchor Capital Advisors, Inc. (2) | 943,573 | 5.7% |
| George E. Bull (3) | 695,678 | 4.1% |
| Douglas B. Hansen (4) | 670,251 | 3.9% |
| Richard D. Baum (5) | 7,750 | * |
| Thomas C. Brown (6) | 10,475 | * |
| Mariann Byerwalter (7) | 10,475 | * |
| Greg H. Kubicek (8) | 8,393 | * |
| Charles J. Toeniskoetter (9) | 25,324 | 0.2% |
| David L. Tyler (10) | 24,315 | 0.2% |
| Brett D. Nicholas (11) | 49,071 | 0.3% |
| Andrew I. Sirkis (12) | 45,547 | 0.3% |
| Harold F. Zagunis (13) | 61,279 | 0.4% |
| All Directors and Named Executive Officers as a group (11 persons) | 1,608,558 | 9.1% |

* Less than one-tenth of one percent

- (1) Address: 1125 South 103rd Street, Suite 600, Omaha, Nebraska 68124. Includes 999,702 shares of Common Stock subject to a Voting Agreement pursuant to which Wallace R. Weitz & Company (Weitz) has transferred its voting rights with respect to such shares to Messrs. Bull and Hansen. The Voting Agreement covers up to 2,000,000 common shares and will continue in effect for so long as Weitz or its affiliates hold any capital stock of the Company and either Mr. Bull or Mr. Hansen continues to be employed by or remains on the Board of Directors of the Company. Under the Voting Agreement, Messrs. Bull and Hansen agree to vote the shares subject to the agreement on each matter to be voted upon in the same proportion as the votes cast on such matter by all stockholders other than Weitz and its affiliates. Also includes 114,600 shares of convertible preferred stock.
- (2) Address One Post Office Square, Boston, Massachusetts 92109.
- (3) Includes 141,863 shares held of record by the Bull Trust, 9,500 shares held in an IRA, 600 shares held of record by Mr. Bull's spouse, 3,200 shares held of record by Mr. Bull's children and 1,700 shares of convertible preferred stock held in an IRA and 70 shares of convertible preferred of record held by Mr. Bull's children. Also includes 523,804 shares issuable upon the exercise of stock options exercisable within 60 days, 7,000 shares of restricted stock, and 7,941 shares of stock units in the Company's Executive Deferred Compensation Plan.
- (4) Includes 523,804 shares issuable upon the exercise of stock options exercisable within 60 days, 7,000 shares of restricted stock, and 7,941 shares of stock units in the Company's Executive Deferred Compensation Plan.
- (5) Includes 1,500 shares held in an IRA. Also includes 250 shares of convertible preferred stock held in an IRA and 6,000 shares issuable upon the exercise of stock options exercisable within 60 days.
- (6) Includes 10,475 shares issuable upon the exercise of stock options exercisable within 60 days.
- (7) Includes 10,475 shares issuable upon the exercise of stock options exercisable within 60 days.
- (8) Includes 4,337 shares held in GK Holt Company Inc. Money Purchase Pension & Profit Sharing Plan & Trust, 556 shares held in an IRA, 500 shares held in a living trust, and 1,000 shares held of record by Mr. Kubicek's children.

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- (9) Includes 500 shares on which Mr. Toeniskoetter has voting and investment power in the TBI Construction Profit Sharing Trust. Also includes 22,254 shares issuable upon the exercise of stock options exercisable within 60 days.
- (10) Includes 200 shares held of record by Mr. Tyler's spouse. Also includes 6,000 shares issuable upon the exercise of stock options exercisable within 60 days.
- (11) Includes 44,523 shares issuable upon the exercise of stock options exercisable within 60 days, 1,500 shares of convertible preferred stock, and 2,592 shares of stock units in the Company's Executive Deferred Compensation Plan.
- (12) Includes 40,671 shares issuable upon the exercise of stock options exercisable within 60 days, 1,000 shares of convertible preferred stock, and 2,474 shares of stock units in the Company's Executive Deferred Compensation Plan.
- (13) Includes 1,000 shares held in an IRA. Also includes 57,636 shares issuable upon the exercise of stock options exercisable within 60 days and 2,592 shares of stock units in the Company's Executive Deferred Compensation Plan.

EXECUTIVE COMPENSATION

The table below sets forth information concerning compensation earned in the years ended December 31, 2002, 2001, and 2000 by the Company's Chief Executive Officer and its four other executive officers during those years.

Summary Compensation Table

| Name and Principal Position | Year | Annual Compensation | | Long-Term Compensation Awards | | | Other Compensation |
|---|------|---------------------|------------|-------------------------------|-------------------------------|----------------------------------|--------------------|
| | | Salary(\$) | Bonus\$(1) | Stock Awards\$(2) | Dividend Equivalent Rights(3) | Securities Underlying Options(4) | Other\$(4) |
| George E. Bull | 2002 | \$ 390,000 | \$ 558,552 | \$ 240,366 | 7,806 | 63,000 | \$ 19,116 |
| Chairman of the Board and Chief Executive Officer | 2001 | 375,000 | 540,017 | 0 | 7,057 | 45,000 | 5,250 |
| | 2000 | 350,000 | 352,110 | 260,610 | 5,962 | 57,200 | 25,250 |
| Douglas B. Hansen | 2002 | \$ 390,000 | \$ 558,552 | \$ 240,366 | 7,806 | 63,000 | \$ 6,181 |
| President and Director | 2001 | 375,000 | 540,017 | 0 | 7,057 | 45,000 | 5,250 |
| | 2000 | 350,000 | 352,110 | 260,610 | 5,962 | 57,200 | 25,250 |
| Brett D. Nicholas | 2002 | \$ 220,000 | \$ 182,338 | \$ 78,467 | 0 | 25,000 | \$ 7,310 |
| Vice President | 2001 | 200,000 | 151,910 | 0 | 0 | 15,000 | 5,250 |
| | 2000 | 200,000 | 59,010 | 0 | 0 | 0 | 5,250 |
| Andrew I. Sirkis | 2002 | \$ 210,000 | \$ 174,050 | \$ 74,900 | 0 | 15,000 | \$ 5,500 |
| Vice President | 2001 | 200,000 | 151,910 | 0 | 0 | 5,000 | 5,250 |
| | 2000 | 200,000 | 59,010 | 0 | 0 | 0 | 5,250 |
| Harold F. Zagunis | 2002 | \$ 220,000 | \$ 182,338 | \$ 78,467 | 3,104 | 15,000 | \$ 6,032 |
| Chief Financial Officer, | 2001 | 200,000 | 151,910 | 0 | 2,806 | 10,000 | 5,250 |
| Vice President, and Secretary | 2000 | 200,000 | 59,010 | 0 | 2,371 | 0 | 5,250 |

- (1) Amounts stated include bonus amounts accrued during the fiscal year and paid in cash within 2 1/2 months of year-end.
- (2) Represents the value of deferred stock awards invested in each employee's Deferred Compensation Plan account in 2002. In 2000, it represents the value of restricted stock awards granted.
- (3) Represents the number of shares of stock, which are accrued stock DERs and are issuable to holders upon the exercise of the related stock options.
- (4) This column includes Company contributions to the Company's Pension and Profit Sharing Plans. It also includes fees paid by affiliates of the Company to certain executive officers as Board fees in 2000. In 2002, it also includes amounts accrued in an officer's deferred compensation account. The rate of accrual is set forth in the Deferred Compensation Plan and is based on the Company's performance on its portfolio during the year. The column does not include cash DERs paid on unexercised stock options.

The following table sets forth, for each of the Named Executive Officers, certain information concerning stock options granted during the 2002 fiscal year:

Option Grants in Last Fiscal Year

| Name | Individual Grants | | | Expiration Date | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term | |
|----------------|--|--|--------------------------------|-----------------|--|--------------|
| | Number of Securities Underlying Options Granted(#) | % of Total Options Granted to Employees in Fiscal Year | Exercise or Base Price (\$/Sh) | | 5%(\$) | 10%(\$) |
| George E. Bull | 63,000 | 24.0% | \$ 27.05 | 12/17/12 | \$ 1,071,731 | \$ 2,715,976 |

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| | | | | | | |
|-------------------|--------|-------|---------|----------|-------------|----|
| Douglas B. Hansen | 63,000 | 24.0% | \$27.05 | 12/17/12 | \$1,071,731 | \$ |
|-------------------|--------|-------|---------|----------|-------------|----|